

ELVEST

The Elvest Fund

Monthly Report - September 2023

Commentary

The Elvest Fund returned -3.6% for September, versus the Benchmark return of -4.0%. Since inception, the Fund has returned a total of +14.9% after fees, ahead of the benchmark return of -7.6%. The Fund closed the month with approximately 9% of assets held in cash.

Equities sold off during the month as bond yields reset higher in response to resilient US economic data. At the same time, messaging from the Federal Reserve suggested a 'higher for longer' scenario is becoming more probable.

Complicating central banks' efforts to control inflation, OPEC extended oil production cuts through to December 2023. This news benefits energy companies rather than Elvest's bread and butter, which is quality industrials.

Ex-resources and energy, ASX small caps sold off heavily. As a result, there were no noteworthy contributors for the month. Detractors included Helloworld Travel (HLO), RPMGlobal (RUL) and Lovisa (LOV).

Mach7 Technologies (M7T) and Premier Investments (PMV) finished more or less flat but provided positive updates. M7T announced a \$15.3m, 5-year contract extension with the Hospital Authority of Hong Kong. PMV reported a solid FY23 result and reiterated its Strategic Review, foreshadowing possible spin-offs of Smiggle and Peter Alexander, both of which have promising global growth potential as stand alone businesses.

HLO and other travel stocks sold off on higher bond yields and fuel prices. Whilst we acknowledge the dampening effect on travel demand, we're not wringing our hands over these macro concerns. Given pent up demand and improving capacity, the post-pandemic recovery in leisure travel is a powerful trend that will likely continue through 2024 and 2025.

HLO is well positioned with \$100m in net cash and Corporate Travel Management (CTD) shares on the balance sheet, and serves a largely over 50's (and relatively

mortgage-free) customer base. Excluding cash and securities, the enterprise trades at less than 5 times FY24 EBITDA guidance of \$64-72m.

RUL declined on no news. Notably, management saw this as an opportunity, wading in to the tune of 2.8 million shares or 26% of traded volume during the month via its buyback program.

LOV, a global fast fashion jewellery retailer, declined on weaker sentiment for discretionary retailers. LOV's FY23 result was solid with 30%+ growth in revenue and pre-tax earnings. FY24 started with a decline in comparable store sales, however this mainly reflects the cycling of price increases which drove an outsized 20% increase in comparable store sales in the prior year.

The main game remains the long term global store rollout, which could double or triple LOV's FY23 year-end network of 801 stores over the coming decade. The stock trades on a reasonable free cash flow yield in the near term, but we think that will become exceptional as the rollout matures.

With yields on Government Bonds continuing their ascent, we may be entering a period of elevated volatility. The silver lining is that we are starting to see solid longer term value increasingly on offer.

Top Holdings (alphabetical order)

CTD	Corporate Travel Management
FID	Fiducian Group
JLG	Johns Lyng Group
NGI	Navigator Global Investments
RUL	RPMGlobal

Performance	1 Month	1 Year	Since Inception p.a.*	Since Inception*
The Elvest Fund	-3.6%	+17.6%	+11.0%	+14.9%
S&P/ASX Small Ords TR Index	-4.0%	+6.8%	-5.7%	-7.6%
Outperformance	+0.4%	+10.8%	+16.7%	+22.5%

* Inception date 1 June 2022. Performance after all fees & expenses. Unit price (1/10/2023): MID (\$) 1.0948, ENTRY (\$) 1.0975, EXIT (\$) 1.0921.

This information refers to investments in The Elvest Fund (The Fund). Any person wishing to invest in the Fund should review the Information Memorandum and seek legal, financial and taxation advice. The trustee of the Fund is Fundhost Limited (ABN 69 092 517 087, AFSL No. 233 045). Elvest Co Pty Limited (ABN 65 657 018 614, AFSL 547262) is manager of The Fund. Only investors who are wholesale clients (as defined in s761G and s761GA of the Corporations Act 2001 (Cth)) may invest in the Fund. An investment may achieve a lower than expected return and investors risk losing some or all of their principal investment. Past performance is no indication of future performance.

The Manager

Elvest Co is a boutique investment manager specialising in small cap Australian equities. Independently owned and operated by managers with a strong track record, Elvest Co is the investment manager of The Elvest Fund.



Adrian Ezquerro
Principal & Portfolio Manager

Adrian is a Portfolio Manager of the Elvest Fund, and a co-founder of investment management company Elvest Co Pty Limited. Adrian has 15 years' experience in financial markets, with prior roles including Analyst, Senior Analyst, Portfolio Manager and Head of Investments.



Jonathan Wilson CFA
Principal & Portfolio Manager

Jonathan is a Portfolio Manager of the Elvest Fund, and a co-founder of investment management company Elvest Co Pty Limited. Jonathan has 8 years' experience in financial markets, with prior roles including Analyst, Senior Analyst and Portfolio Manager.

Investment Approach

Our bottom-up research and company visitation program results in an actively managed portfolio of high-quality Australian businesses offering dynamic growth. We seek to own a part share of established emerging leaders that are still relatively early in their life cycle. We therefore expect to benefit from the earnings and dividend growth that often follows. We target companies that have emerging industry leadership, a strong balance sheet, healthy cash generation, aligned management teams and large opportunity sets.

About The Fund

The Elvest Fund is a long only, small cap Australian equities fund. The Fund typically invests in 20-40 companies that are outside of the S&P/ASX 100 at the time of initial inclusion. The objective is to provide strong absolute returns to investors, while also outperforming its Benchmark over the long term.

Fund Information

Name	The Elvest Fund	Investment Eligibility	Wholesale only
Structure	Wholesale Unit Trust	Minimum Investment	\$250,000 (unless otherwise agreed)
Investment Universe	ASX-Listed small caps	Liquidity	Monthly
Benchmark	S&P/ASX Small Ords Accum. Index	Distributions	Annually
Number of Holdings	20 to 40 securities	Fees	1.28% (incl. GST, net of RITC) 20.5% (incl. GST, net of RITC) of outperformance of the Benchmark, subject to a high water mark.
Stock Limit	10% at cost	Administration	Fundhost
Investment Timeframe	5 years+	Custodian	National Australia Bank

Contact

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